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DIVIDEND STRATEGY

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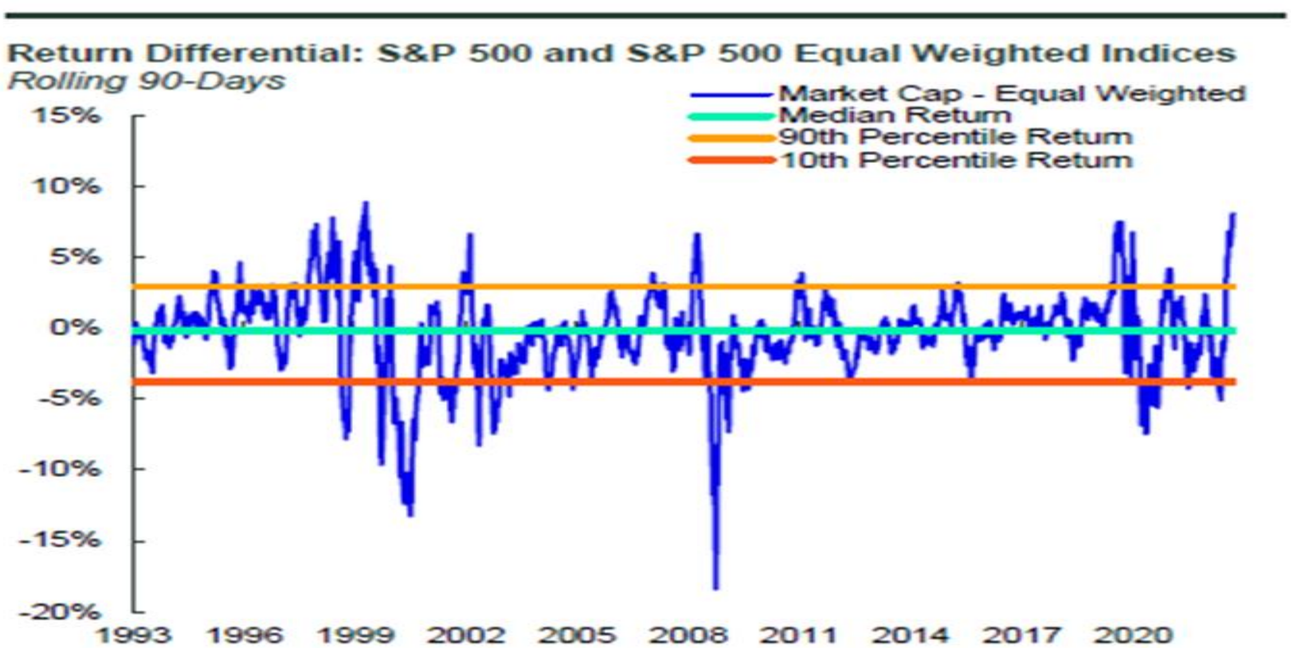
"Casual Friday" Commentary

Casual Friday: Friday Charts + "Client Gaps" – June 9th, 2023

Good Morning, #TGICF
Approaching mid-year, "market narrowness" dominates the performance and commentary landscapes. Last week we discussed how 7 stocks drove the entire S&P performance YTD -- Casual Friday: Equal & Opposite? + Ticker Overload. Furthermore, 4 stocks drove the entire performance for the Russell 1000 Value YTD. (Meta, Salesforce, Alphabet, Berkshire Hathaway – none of which pay a dividend)

Many dividend strategies shined brightly in 2022 and now are possibly facing 2023 performance headwinds. We believe this creates a really attractive entry point for our strategy. Remind clients sticking to cogent long-term investment processes and patience tend to be more successful than darting in and out of markets or chasing performance. Reiterate to clients why they own dividend strategies in the first place: Income, Growth of Income, Downside Protection, and LONG term wealth creation/preservation. (Financial goals aligned with investments) (Source: Bloomberg)

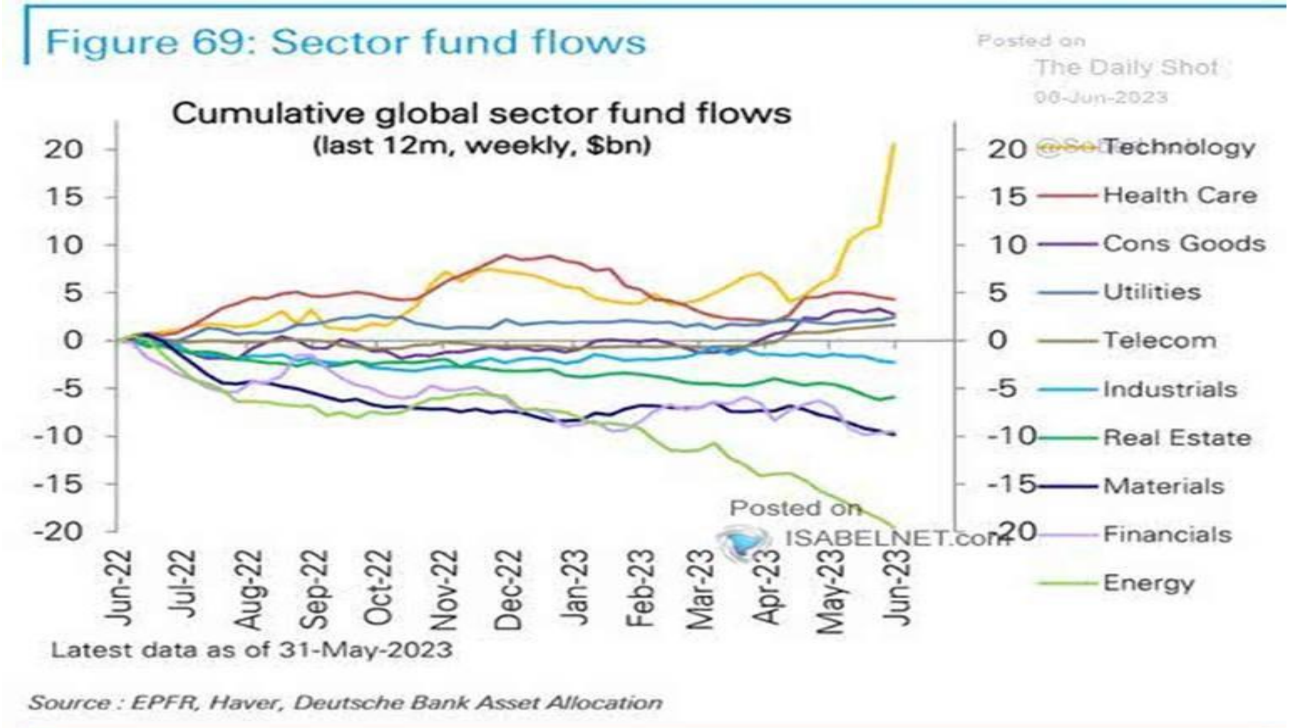
Friday Charts
Narrowness of performance hitting extremes…



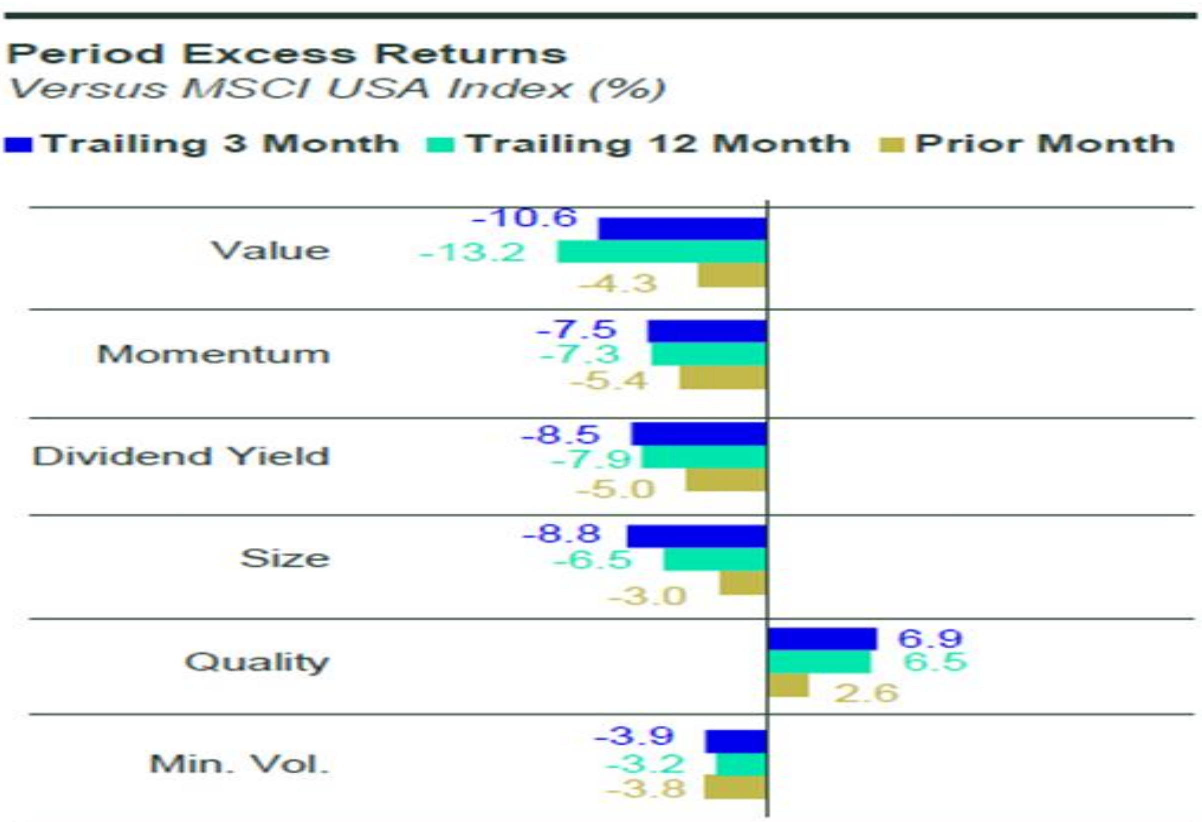
Significant outperformance of the market cap weighted index indicates narrow participation of the YTD equity rally

Source: State Street – Monthly Chart Pack

Fund Flows have piled into tech…



Dividend and Value factors dragging down performance...



Source: [State Street – Monthly Chart Pack]

Institutional investors taking on less risk…

Source: [State Street – Monthly Chart Pack]

Big gaps in performance expectations exist…This one's crazy to think about -- look how far these numbers are apart!

EXPECTATIONS GAP BY COUNTRY

Global Average Expectations

9.0%	61%	14.5%
Financial Professionals annual return expectations (above inflation)	The % difference between investor and professional expectation	Individual Investor annual return expectations (above inflation)[10]

	Financial Professionals	Expectations Gap	Individual Investor
Australia	6.9%	109%	14.4%
Canada	6.5%	72%	11.2%
Chile	14.5%	13%	16.4%
Colombia	14.9%	5%	15.6%
France	6.6%	83%	12.1%
Germany	7.0%	53%	10.7%
Hong Kong	7.6%	79%	13.6%
Italy	6.3%	84%	11.6%
Japan	8.7%	45%	12.6%
Mexico	14.0%	16%	16.2%
Singapore	14.2%	-6%	13.4%
Spain	7.6%	101%	15.3%
Switzerland	6.9%	94%	13.4%
UK	6.2%	127%	14.1%
US	7.0%	150%	17.5%

2022 Natixis Global Survey of Financial Professionals

More “gaps” than just performance…
These massive gaps, if not addressed could be a real killer to an advisor's practice.

Gap 1: 57% of high-net-worth investors said they “don’t have a financial plan” Yet, 80% of advisors say they prominently feature planning as a key offering in their practice.
Gap 2: Clients surveyed said they expect returns of “14.5% after inflation” (YES THEY WANT 20% Returns from their investments), yet capital preservation was a top priority.
Gap 3: Clients believe “Passive is less risky than active and will protect me on the downside”.

Given this client disconnect between expectations and reality, it’s no wonder clients keep feeling disappointed and perhaps why Vanguard keeps rolling in the trillions.

"Close the Gaps"
You don’t know if these gaps exist with your clients unless you ask the right questions...

- “How satisfied are you with the completeness of your financial plan?”
- “Are there any areas important to you this plan does not address.?”
- “What areas of the plan are low priorities?” – perhaps you are focusing on things that they don’t really care about!
- “How do ***you*** define success in these areas?”
- “What return goal do you think is reasonable over time?”
- “How do you define risk? Lack of income? Price fluctuations? Not keeping up with the market?”

These are great probing questions. And based on the response, you can lay out action steps that will serve as something you CAN deliver. Be at the ready with historical information: typical bear markets, annual corrections, you can’t time the market etc.

Soapbox: Don’t cave, be real. Some advisors lack the courage to speak the hard truth for fear they might lose the account. If the client thinks 20%, you think 7% and don’t deliver the hard facts, that’s a recipe to be a silent killer in your practice.

Another good strategy? Many of these types of questions might be in your original questionnaire, but perhaps with so many questions you did not have the time to ask probing questions about the responses – their responses just got lumped into the master document. You could either address these with historical context now, OR you could schedule another meeting specifically dedicated to these agenda items. It will give good justifications for future meetings.

In the end, figure out how clients keep score and by the results of these surveys, it may be quite different than what your thinking. (Source: Natixis)

The BOAT -- "Brightest of All Time."
A gamma-ray explosion that was so bright it blinded scientists' equipment is even weirder than first thought.
https://www.businessinsider.com/brightest-cosmic-explosion-gamma-ray-record-weirder-than-first-thought-2023-6

Regards,
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